

that requires the resolution of final prices within the next six months, BellSouth is agreeable to using such a process in this docket. As Mr. Scheye testified, such a process will allow the parties some "breathing room" to allow the appeal of the FCC Order to proceed and, importantly, allows competitors into the local market as quickly as possible.

BellSouth further believes that AT&T's proposal for deaveraging rates should be rejected. As an initial point, that portion of the FCC's pricing rules requiring geographic deaveraging has been stayed by the Court. Consequently, BellSouth believes that the Commission should not require any such geographical deaveraging.

Historically, it has been the intent and practice of regulators, including this Commission, to maintain a statewide average for basic service rates. Such pricing practices served both regulatory and political purposes and incorporated subsidies to ensure affordable local service for all customers, both urban and rural customers. The intent of the FCC in its recent Order, as we understand it, is to change the current subsidy model to a "cost" model. BellSouth believes such pricing will have very serious implications for basic local exchange service. The present rate structure in Louisiana incorporates long standing policies of purposefully pricing some services markedly above costs in order to price other services at or below cost such that all Louisiana customers would have access to reasonable and affordable basic local exchange service. Further, basic local exchange rates have been established according to the number of lines in an exchange's local calling area — the greater the number of lines in an exchange's local calling area — the greater the number of lines in an exchange's local calling area, the higher the price. Deaveraging loop prices based solely on costs, without concomitant action on re-balancing rates, will produce a completely different result than the way such rates have been set in the past. In addition,

unbundled loop pricing establishes a single rate to be used either for business or residence customers. By contrast, BellSouth's basic local exchange business service is priced well above basic residential service as an intended subsidy to keep residential rates affordable.

It is very important to recognize that unbundled loops will be used to compete with residence and business local exchange services. As such, the pricing implications of deaveraging the loop cannot be divorced from the price of local exchange services. While BellSouth believes that rate re-balancing and economic pricing must be considered in another proceeding, the Commission must consider the implications of deaveraging unbundled loops on the current pricing of retail local exchange service.

ANALYSIS AND FINDINGS:

This issue accounted for perhaps the single largest segment of the pre-filed testimony and a great deal of trial time was also devoted to this issue. As all parties agree, the Act requires cost-based pricing of all unbundled network elements. Not surprisingly, there is a great deal of disagreement as to what these costs actually are

AT&T based its cost analysis on the Hatfield Model, a computer generated model. The Hatfield Model does not pretend to actually determine what the costs of unbundled network elements are, rather it attempts to extrapolate costs using certain assumptions applied to census data. Essentially, the Hatfield Model takes data from a designated Census Block Group and then allocates costs to serve that Census Block Group based on the assumption that the CBG is perfectly square and that the population within the CBG is evenly distributed. Unfortunately, the Census Bureau did not lay-out its CBGs in such a fashion, and they in actuality are irregularly shaped geographical areas with constantly changing population density patterns. Restated, the Hatfield Model is a purely

hypothetical approximation of what costs should be, based upon certain assumed programming parameters. In one telling cross-examination, an AT&T witness was forced to admit that the Hatfield Model could assume under-deployment of cable to serve fixed areas. Simply put, the Hatfield Model does not- and cannot- determine actual costs. Rather, it merely calculates hypothetical cost structures, and therefore can be of little use in these proceedings.

In contrast, BellSouth sought to support its position on costs through the use of a TELRIC cost study. Such a study is precisely the type of tool this Commission has used for many years to determine actual costs. As such a study relies on actual cost analysis, rather than hypothetical modeling, it *should* produce a result more acceptable under the Act. Unfortunately, AT&T raised substantial questions regarding the accuracy of BellSouth's cost study, pointing to questionable depreciations and, most importantly, the lack of verifiability of many of the entries in the report.

In this proceeding, both parties convinced the arbitrator that the other parties cost proposals were seriously flawed, with the result that the credibility and viability of both AT&T's Hatfield Model and BellSouth's cost-study were so impugned that neither of the parties' cost proposals can be accepted in the present proceedings.

Fortunately, the Commission is presently conducting its own cost study of these same elements, in Docket U-22022⁶. The Commission will await conclusion of Docket U-22022 before establishing permanent cost-based rates in this matter. In the interim, those rates submitted on

⁶The referenced proceeding is captioned: *Louisiana Public Service Commission, Ex Parte, In Re: Review and Consideration of BellSouth Telecommunications, Inc.'s TSLRIC and LRIC Cost Studies Submitted Pursuant to Sections 901(C) and 1001(E) of the Regulations for Competition in the Local Telecommunications Market as Adopted by General Order Dated March 15, 1996 in Order to Determine the Cost of Interconnection Services and Unbundled Network Components to Establish Reasonable Non-Discriminatory, Cost Based Tariffed Rates.*

attached Appendix A⁷ shall be put in place, subject to true-up upon the establishment of final rates based upon the findings of the final order in Docket U-22022⁸ (or any other appropriate Commission proceeding). At such time as a final order issues in Docket U-22022 rates will be re-calibrated accordingly. To the extent that AT&T has actually purchased unbundled services from BellSouth prior to that time⁹, the parties will reimburse each other for the difference between the interim rates and those rates established in Docket U-22022.

ISSUES 25/26: Call Transport and Termination/"Bill and Keep" Versus the Terminating Carrier Charging TSLRIC

AT&T's Position: Call transport and termination should be set at economic costs. In the absence of adequate TELRIC cost studies from BellSouth, the Commission should implement an interim bill-and-keep arrangement. Bill-and-keep arrangements compensate a carrier terminating a call originated with another carrier by requiring the carrier originating the call to, in turn, transfer and terminate calls originating from the other carrier. Under a bill-and-keep arrangement, no money changes hands. The Act expressly permits this result. 47 U.S.C.A. § 252(d)(2)(B).

⁷These rates are drawn from the prefiled testimony of Kimberly Dismukes, the Commission's consultant in Docket U-22022. Although that matter is still proceeding, the rationale and rates set forth in Ms. Dismukes' testimony appear to be well reasoned and amply supported by the evidence.

⁸The establishment of permanent rates based upon any pending Commission action is, obviously, subject to subsequent modification, specifically including, but not limited to, the potential for modification by the presently pending ruling of the Eight Circuit Court of Appeals in *Iowa Utilities Board v FCC*.

⁹Final resolution of Docket U-22022 is anticipated within the next three-four months. It is doubtful that the interim rates will ever actually be utilized.

BellSouth's Position: *The rate for the transport and termination of traffic should be mutual and reciprocal and should be based on the tariffed rate for intrastate switched access rate minus the carrier common line ("CCL") charge and the residual interconnection charge ("RIC"). BellSouth has negotiated numerous interconnection agreements with transport and termination rates based on this formula. Alternatively, the rate for transport and termination of traffic should be set at a level sufficient to cover BellSouth's costs for providing transport and termination of traffic plus additional amounts to recover an appropriate allocation of joint and common costs, and a reasonable profit. Under no circumstances is it appropriate for this Commission to mandate a bill-and-keep arrangement.*

BellSouth's average local interconnection rate of \$0.01 per minute meets that standard in that it allows for the recovery of BellSouth's costs and is reasonable. The reasonableness of BellSouth's rate is further demonstrated by the agreements that BellSouth has reached with other facilities-based carriers. Companies such as Time Warner, Intermedia Communications Inc., and others have found BellSouth's rates to be reasonable, allowing them a fair opportunity to compete for local exchange customers. If the rates these companies agreed to were not reasonable, they would not have signed an agreement, but would have filed for arbitration of the local interconnection rate.

ANALYSIS AND FINDINGS:

The Act provides that charges for transport and termination shall be mutual and reciprocal and provide for the recovery of each carrier's cost. See §252(b)(2)(A). As was noted in the previous matter, this Commission has already established a generic docket (U-22022) in which it is reviewing BellSouth's cost studies and other relevant cost information and methodologies. This proceeding will

result in the setting of permanent rates for interconnection, is anticipated to conclude within the next 3-4 months. In the meantime, the parties shall utilize the "bill-and-keep" methodology, solely as an interim measure, until a final Order issues establishing permanent rates.

ISSUE 27: What is the Appropriate Price for Certain Support Elements Relating to Interconnection and Network Elements?

AT&T's Position: *Prices for access to poles, conduits, ducts, rights of way and other support elements should be at economic cost. BellSouth has not provided sufficient cost information to permit appropriate pricing of these elements. The Commission should require BellSouth to produce adequate cost documentation for these capabilities.*

BellSouth's Position: *BellSouth generally proposes that, to the extent BellSouth already offers the support function or service to other customers through tariff or contract, the tariffed or contract price should be used. Many support or ancillary functions are currently provided to interexchange carriers. These prices have been approved, and there is no need to create a different pricing structure or level for CLECs. To the extent a new support function is required for use by a CLEC, the price should be set based on cost plus a reasonable profit, as specified by the Act.*

With respect to rates for access to poles, conduits and rights-of-way, BellSouth provides access to poles, conduits and rights-of-way under standard licensing agreements. These same agreements should be used for CLECs. To do otherwise would be unreasonable and discriminatory to existing customers using these support facilities.

ANALYSIS AND FINDINGS:

Review of the Briefs filed in this matter leads to some confusion, as AT&T chose only to address pricing of poles, conduits and rights-of-way in both its pre- and post-trial briefs, while BellSouth also addressed pricing for collocation and number portability. As AT&T is the party plaintiff in these proceedings, its delineation of this issue is controlling, and the only issues properly subject to arbitration are the prices for poles, conduits and rights-of-way¹⁰. As to poles, ducts, conduits and rights-of-way, §251(b)(4) imposes on BellSouth the duty to afford access to these items at "rates that are consistent with section 224." This Section (47 U.S.C. §224) expressly provides that 'pole attachments' are subject to State regulation, and goes on to provide that the FCC shall, within two years of enactment of the Act, prescribe regulations to govern the charges for pole attachments which will become effective five years after adoption of the Act, in 2001. See 47 U.S.C. §224(e)(1) and (4). Until the referenced FCC rules become effective in 2001, there is no basis for granting AT&T's request for cost-based pole attachments. Consistent with this Commission's prior treatment of such access- as permitted by §224(c)- BellSouth shall continue to provide access to poles, conduits and rights-of-way under standard licensing agreements, so long as they comply with all pertinent rules and regulations of this Commission.

ISSUE 28. Must BellSouth Price both Local and Long Distance Access at Cost?

AT&T's Position: *Charges for call transport and termination should be non-discriminatory -- whether for "local" or "toll"/long distance. Because such access is a network element, the Act*

¹⁰Precise delineation of the issues was the topic of much discussion at hearing, and at its conclusion the parties were directed to concisely re-state their positions on each of the issues. Furthermore, AT&T was specifically advised that it bore responsibility for framing the issue that would be controlling in final resolution of this proceeding.

requires TELRIC based pricing. 47 U.S.C.A. §§ 251, 252. These charges should be based on an economic cost-based pricing system which does not discriminate between types of calls or carriers. To add access or other surcharges would allow BellSouth to recover more than its costs, impair competition and restrict calling area product differentiation to the detriment of Louisiana consumers.

BellSouth's Position: *This issue is outside of the scope of this arbitration because exchange access is not defined as local interconnection under the Act. The pricing rules in §251 and §252 regulate the prices of local interconnection and unbundled network elements used for local service only. Congress intended the pricing and other rules §251 and §252 to open local telecommunications markets to competition. Those sections were clearly structured to create the framework for interconnection of local networks and access to network elements in order to create local competition. There is nothing in the Act or its legislative history that would suggest that these rules were intended to cause a drastic change in the current exchange access charge structure. Since there is no indication from Congress that it intended to affect exchange access charges, §251 and §252 apply to local interconnection and the use of the unbundled network elements to provide local telecommunications services only.*

In its Interconnection Order dated August 8, 1996, the FCC agreed that §§ 251 and 252 do not apply to the price of exchange access and that a telecommunications carrier seeking interconnection only for interexchange service does not fall within the scope of §251(c)(2). See August 8, 1996 Interconnection Order, at ¶ 191. Additionally, it is widely recognized that existing rates for exchange access provide implicit subsidies that have allowed BellSouth and other ILECs to provide other services, for example, basic residential service in rural areas, at rates below the

cost of providing the service. The FCC has determined that it is therefore appropriate to address the issue of access charge reform in a separate proposed rulemaking proceeding, along with a proposed rulemaking that addresses universal service reform. The Georgia Public Service Commission recently agreed that it is premature to address the issue of exchange access charge reform in the context of an AT&T arbitration proceeding.

ANALYSIS AND FINDINGS:

BellSouth is correct in its assertion that this issue is beyond the scope of arbitration in the instant proceeding (See discussion at Issue 3, *supra*, on the allowable scope of arbitration). Furthermore, the FCC has initiated a comprehensive rulemaking proceeding relative to universal service and access charges (CC Docket 96-45), recently issuing its First Report and Order regarding its findings. This Commission is itself has a pending proceeding (Docket U-20883(A)), awaiting a definitive ruling from the FCC in its proceeding so that a comprehensive analysis of access charges and universal service funding in Louisiana may be conducted. While this issue certainly warrants analysis, the present arbitration is simply an inappropriate procedural forum for its resolution.

ISSUE 29: Collect, Third-party, IntraLATA, and Information Service Provider Calls

AT&T's Position: *The parties have resolved this issue with regard to information service provider calls. However, the issue as it applies to collect, third party, and intraLATA calls remains in dispute. The Commission should require BellSouth to use the Centralized Message Distribution System ("CMDS") process for billing of intraLATA collect, third party, and calling card calls. Under this process, all such calls are billed at the originating service provider's rates. The telecommunications industry currently uses the CMDS process to determine the applicable rates and appropriate compensation for collect, third party, and calling card interLATA calls. CMDS has*

eliminated confusion and disputes as to which rates apply and the compensation due each carrier. This process greatly simplifies the billing procedure for interLATA calls. Likewise, application of the CMDS process to intraLATA calls would simplify billing procedures for those calls as well. The FCC Order did not address this issue, but AT&T's position is consistent with the purpose of the Act: using familiar processes will enable new market entrants to compete more quickly.

BellSouth's Position: *The parties have resolved the issue of rating and billing for information service provider calls. The issue that remains to be arbitrated involves AT&T's position on the processing and rating of collect and third-number type calls. AT&T appears to request a uniform regional system for processing of intraLATA collect and third-number calls. Further, it appears to request that BellSouth bill AT&T's rates when an AT&T local customer calls a BellSouth customer collect or requests to change the call to a third-number subscribed to by a BellSouth end user.*

First, while AT&T's vision of a uniform, regional system for processing these types of calls may indeed simplify matters for AT&T, such a system does not exist today. BellSouth will provide the capabilities AT&T requests on a state-specific level, and has also examined the feasibility of a systems modification that would create national uniformity, if adopted by all system users.

Second, BellSouth can only bill its own retail rates for these calls, because it has no access to AT&T's rates. If AT&T wants different rates billed, it could bill those charges itself or contract with BellSouth or another entity to have them billed.

BellSouth has no obligations under the Act or otherwise to develop and implement a new system simply to meet AT&T's desire for uniformity.

ANALYSIS AND FINDINGS:

As to collect, third party and intraLATA calls the originating local service providers' rates will apply. BellSouth is to bill its charges to its end users and then bill resold services to AT&T at the appropriate Commission approved discount rate for the purposes of AT&T billing its end users utilizing the resold BellSouth Service.

ISSUE 30: General Contractual Terms and Conditions

AT&T's Position: *The Commission should require BellSouth to negotiate specific contractual terms (regarding, for example, quality of service standards) with explicit penalties for non-performance that will enable competitors to enter the market. The agreement between AT&T and BellSouth should have terms addressing alternate dispute resolution, liability and indemnity.*

BellSouth's Position: *AT&T contends that this Commission should approve the general contractual terms and conditions incorporated in its proposed agreement for matters such as the resolution of disputes, performance requirements and the treatment of confidential information. AT&T readily admits, however, that these matters are not addressed specifically by the Act. Instead, AT&T attempts to base this request, like many others, on nothing more than the general concept of "parity". Nothing in the Act, however, suggests that one party can force upon another contractual terms regarding dispute resolution or confidentiality that would apply to govern an arbitration agreement. Certainly the parties are free to negotiate these items when they attempt to reach an agreement on the basis of the Order that the Commission will enter in this case. It makes no sense, however, to dictate now the terms of, for example, how to resolve disputes over an agreement that will only be negotiated after the Commission enters its Order on the substantive issues in this proceeding. The Commission should simply decline to rule on this request.*

ANALYSIS AND FINDINGS:

As was noted in discussion of Issue 3, *supra*, BellSouth was under an affirmative obligation to negotiate in good faith the particular terms and conditions of agreements to fulfill *only* those duties which were specifically enumerated in §251(b)(1-5) and (c)(2-6) of the Act. This Commission's authority is likewise limited to resolution of issues appearing on that exclusive listing. Even a casual review of the Act will readily disclose that the requested contractual language is not among those issues specifically enumerated for negotiation and arbitration in the Act, and this issue is therefore inappropriate for arbitration. Nevertheless, it is prudent for BellSouth and AT&T to have general terms and conditions to their interconnection, and the parties are instructed to include in their interconnection agreement to be filed with this Commission for approval *mutually* agreeable "general terms and conditions" contract language.

ACCORDINGLY, IT IS HEREBY ORDERED

All BellSouth Contract Service Agreements which are in place as of the effective date of this Order shall be exempt from mandatory resale. However, all CSA's entered into by BellSouth or terminating after the effective date of this Order will be subject to resale, at no discount,

N11/911/E911 services are found not subject to mandatory resale under the Act;

BellSouth shall re-sell Link Up/Lifeline services to AT&T, with the restriction that AT&T shall offer such services only to those subscribers who meet the criteria that BellSouth currently applies to subscribers of these services; AT&T shall discount the Link Up/Lifeline services by at least the same percentage as now provided by BellSouth; and AT&T shall comply with all aspects of any applicable rules, regulations or statutes relative to the providing of Link Up/Lifeline programs;

Short-term promotions, which are those offered for 90 days or less, are not subject to mandatory resale; however, promotions which are offered for a term of more than 90 days must be made available for discounted resale, with the express restriction that AT&T shall only offer a promotional rate obtained from BellSouth for resale to customers who would qualify for the promotion if they received it directly from BellSouth.

"Grandfathered Services" (service available only to a limited group of customers that have purchased the service in the past) must be made available for resale to the same limited group of customers that have purchased the service in the past;

To the extent AT&T purchases services for resale it shall be required to do so on an "as-is" basis;

AT&T's request for adoption of Direct Measures of Quality ("DMOQs") is denied as beyond the proper scope of arbitration; however, the service quality standards contained in this Commission General Order of March 15, 1996 are specifically reaffirmed;

AT&T's request for a contractual provision that BellSouth should be responsible for any work errors that result in unbillable or uncollectible AT&T revenues and should compensate AT&T for any losses caused by BellSouth's errors, is dismissed as beyond the scope of arbitration;

BellSouth must provide the electronic interfaces requested by AT&T within 12 months of AT&T's providing specifications for the interfaces it desires to be provided with. All costs prudently incurred by BellSouth in developing these electronic interfaces shall be borne by AT&T. If any future CLEC utilizes the electronic interfaces developed by BellSouth for AT&T, they shall reimburse AT&T for its cost incurred relative to the development of such electronic interfaces on a pro-rata basis determined on actual usage. It is specifically noted that even after these interfaces are in place,

AT&T is not entitled to direct access to BellSouth's customer records, pursuant to this Commission's General Order dated March 15, 1996. In the event BellSouth customers request and/or consent to the disclosure, BellSouth shall disclose the customers current services and features to AT&T. Customer consent to such disclosure may be evidenced in a three-way call or other reliable means. Furthermore, BellSouth and AT&T are to develop a methodology for BellSouth to provide customer service records in accordance with §§ 901(L)(1); 1001(D) and (F) and 1101(F), (G) and (H) of the General Order dated March 15, 1996, entitled "Regulations for Competition in the Local Exchange Market;"

AT&T's request for selective routing is denied as being technically unfeasible at present; however, BellSouth is Ordered to show cause within six (6) months of entry of this Order why it should not be ordered to provide selective routing. If AIN selective routing remains technically unfeasible, BellSouth shall bear the burden of so proving, and shall be required to establish for the record that it has taken all reasonable steps to resolve the technological limitations on AIN or other means selective routing,

AT&T's request for "branding" is denied as technically unfeasible at present, but, at such time as selective routing becomes available, BellSouth shall "brand" its services as requested by AT&T;

AT&T's request for placement of its name and logo on directory covers is denied as beyond the proper scope of these proceedings;

BellSouth shall advise AT&T at least 45 days in advance of any changes in the terms and conditions under which it offers Telecommunications Services to subscribers who are non-telecommunications carriers including, but not limited to, the introduction or discontinuance of any feature, function, service or promotion. To the extent that revision occur between the time BellSouth

notifies AT&T of the change, BellSouth shall immediately notify AT&T of such revisions consistent with its internal notification process. BellSouth may not be held responsible for any cost incurred by AT&T as a result of such revisions, unless such costs are incurred as a result of BellSouth's intentional misconduct. AT&T is expressly precluded from utilizing the notice given by BellSouth to market its resold offering of such services in advance of BellSouth;

In circumstances where there is an open connections or terminals in BellSouth's NID, AT&T shall be allowed to connect its loops to such open connections or terminals. However, in circumstances where there are no open connections or terminals, AT&T may effect a NID-to-NID connection as described in the FCC Order, at ¶¶392 - 394.

BellSouth shall provide AT&T with access to its AIN facilities, but only subject to mediation;

AT&T shall be allowed to combine unbundled network elements in any manner they choose; however, when AT&T recombines unbundled elements to create services identical to BellSouth's retail offerings, the prices charged to AT&T for the rebundled services shall be computed at BellSouth's retail price less the wholesale discount established in Order U-22020 (or any future modifications thereof) and offered under the same terms and condition as BellSouth offers the service under. For purposes of this Order, AT&T will be deemed to be "recombining unbundled elements to create services identical to BellSouth's retail offerings" when the service offered by AT&T contain the functions, features and attributes of a retail offering that is the subject of properly filed and approved BellSouth tariff. Services offered by AT&T shall not be considered "identical" when AT&T utilizes its own switching or other substantive functionality or capability in combination with unbundled elements in order to produce a service offering. For example, AT&T's provisioning of purely ancillary functions or capabilities, such as operator services, Caller ID, Call Waiting, etc., in

combination with unbundled elements shall not constitute a "substantive functionality or capability" for purposes of determining whether AT&T is providing 'services identical to a BellSouth retail offering;'

BellSouth shall be allowed to reserve unto itself a "maintenance spare," with all other pole, conduit and right-of-way capacity be allocated by BellSouth on a first come/first serve basis;

AT&T's request for access to BellSouth's unused transmission media is dismissed as beyond the scope of these proceedings;

BellSouth shall make its right-of-way records available to AT&T upon the execution of a mutually acceptable confidentiality agreement;

Interim rates for unbundled network elements are hereby established, as listed on attached Appendix A, subject to true-up upon issuance of a permanent rates at such time as a final order issues in Docket U-22022 or any other pertinent Commission proceedings;

The "bill and keep" methodology as an interim compensation method for call transport and termination, pending establishment of permanent rates at such time as a final order issues in Docket U-22022 U-22022 or any other pertinent Commission proceedings;

BellSouth shall provide access to poles, conduits and rights-of-way under standard licensing agreements complying with all pertinent rules and regulations of this Commission;

Analysis of AT&T's request for Local and Long Distance Access pricing rules is deferred until such time as the FCC and this Commission have completed their analysis of these issues on a generic basis;

As to collect, third party and intraLATA calls the originating local service providers' rates shall apply BellSouth is to bill its charges to its end users and then bill resold services to AT&T at

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the appropriate Commission approved discount rate for the purposes of AT&T billing its end users utilizing the resold BellSouth Service; and

AT&T's request for entry of general contractual terms and conditions is dismissed as being beyond the scope of these proceedings.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
JANUARY 28, 1997

DON OWEN DISSENTING
DISTRICT V
CHAIRMAN DON OWEN

/s/ IRMA MUSE DIXON
DISTRICT III
VICE-CHAIRMAN IRMA MUSE DIXON

/s/ DALE SITTIG
DISTRICT IV
COMMISSIONER DALE SITTIG

/s/ JAMES M. FIELD
DISTRICT II
COMMISSIONER JAMES M. FIELD


SECRETARY

/s/ JACK "JAY" A. BLOSSMAN, JR.
DISTRICT I
COMMISSIONER JACK "JAY" A. BLOSSMAN, Jr

APPENDIX A

Proposed Interim Rates for Unbundled Network Elements

Network Interface Device	\$	0.68	
Local Loop			
Including NID	\$	19.08	
Excluding NID	\$	18.40	
Local Switching			
2-wire per port	\$	2.15	
2-wire hunting	\$	0.23	
Local Usage-Per Minute	\$	0.001599	
Operator Systems			
Directory Assistance	\$	0.2187	
DA Call Completion	\$	0.0170	
Intercept Services	\$	0.0201	
DA Transport			
Switched Common Transport Per Call	\$	0.000204	
Switched Common Transport Per Call Mile	\$	0.000003	
Access Tandem Per Call	\$	0.000820	
Dedicated Transport			
Mileage Band			
0-8	\$	12.61	\$ 0.0027
9-25	\$	13.01	\$ 0.0314
>25	\$	13.24	\$ 0.0463
Common Transport Per Minute	\$	0.000324	
Tandem Switching Per Minute	\$	0.001231	
Signaling Links/STPs			
56 KBPS-A Link and D Link	\$	3.27	
ISUP Message	\$	0.0000035	
TCAP Message	\$	0.0000120	
STP Port	\$	87.59	

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

THE INTERCONNECTION AGREEMENT)
NEGOTIATIONS BETWEEN AT&T)
COMMUNICATIONS OF THE SOUTH CENTRAL) CASE NO. 96-482
STATES, INC. AND BELL SOUTH)
TELECOMMUNICATIONS, INC. PURSUANT TO 47)
U.S.C.)

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*Eddy
cc: Creighton
Sue
Steve*

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE INTERCONNECTION AGREEMENT)
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COMMUNICATIONS OF THE SOUTH CENTRAL) CASE NO. 96-482
STATES, INC. AND BELL SOUTH)
TELECOMMUNICATIONS, INC. PURSUANT TO 47)
U.S.C.)

ORDER

The Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (1996) ("the Act") was enacted to open all telecommunications markets to competition. See Conference Report, H.R. Rep. No. 458, 104th Cong., 2d Sess., at 113 (1996). Section 251 of the Act requires incumbent local exchange carriers ("ILEC") to negotiate in good faith with new entrants to the local exchange market. Section 252 permits the parties to those negotiations to petition a state commission to arbitrate unresolved issues. Subsection (b)(4)(C) states that the state commission "shall resolve each issue set forth in the petition and the response, if any, by imposing appropriate conditions as required to implement subsection (c) upon the parties to the agreement." Subsection (b)(4)(C) further requires the Commission to resolve the issues presented not later than nine months after the date on which the ILEC received the request for negotiations.

On May 6, 1996, AT&T Communications of the South Central States, Inc. ("AT&T") submitted its request for negotiations to BellSouth Telecommunications, Inc. ("BellSouth"). On October 11, 1996, AT&T submitted its petition for arbitration to this Commission. Subsequently, BellSouth filed its response. The parties have submitted

numerous documents, including prefiled testimony and exhibits, have met with Commission staff in an informal conference at the Commission's offices, and have participated in a formal hearing held January 6 and 7, 1997. Pursuant to the Act, the Commission's decision on the arbitrated issues is due on February 6, 1997.

On December 18, 1996, AT&T and BellSouth filed a joint motion ("Joint Motion") which (1) requested modification of the procedural schedule issued on October 21, 1996, and (2) sought to amend the petition and response to clarify that the parties seek resolution only of the unresolved issues listed in an attachment to the Joint Motion (the "Joint Issues List"). The Joint Motion was granted by Order dated December 23, 1996. Accordingly, only those issues cited in the parties' Joint Issues List are resolved in this Order.¹ The parties also requested they be required to submit, within 30 days of the Order resolving the disputed issues, best and final offers on each contract provision which is within the parameters of an issue on the Joint Issues List and upon which they remain unable to agree. The parties agree, see Joint Motion at 2, that the procedure requested is consistent with this Commission's obligations under the Act.

As the Commission stated in its December 23, 1996 Order granting the Joint Motion, the emphasis in the Act is on free negotiations between the parties. The procedure requested by the parties emphasizes such negotiation, with Commission assistance only when necessary. Consequently, the Commission will require the parties to submit for final decision their best and final offers on specific issues regarding which

¹ The Joint Issues List contains issues that remain open, issues that are partially resolved, and issues that are wholly resolved. This Order deals only with those issues which remain partially or wholly in dispute.

they remain unable to agree within 30 days of the date of this Order. Since, however, this Order resolves the broad questions presented, the Commission cautions the parties that the best and final offers submitted should differ only as to the finer points of the parties' disagreements.

I. RESTRICTIONS ON RESALE (PARTIES' ISSUES 1 AND 2)

The Commission has addressed restrictions on resale relative to BellSouth in Administrative Case No. 355² and Case No. 96-431.³ The decisions in those cases apply here unless specifically modified below. The discussion that follows addresses issues specifically raised by AT&T and BellSouth in this proceeding.

Grandfathered Services

AT&T requests that BellSouth offer grandfathered services for resale to any class of customers. BellSouth has agreed to make available grandfathered services for resale to those customers which are currently eligible to receive them. BellSouth's position is consistent with the FCC rules and past Commission decisions. Therefore, the Commission will allow resale of grandfathered services only to those customers currently eligible to receive them including those BellSouth customers who change from BellSouth to an alternative local exchange carrier ("ALEC").

² Administrative Case No. 355, An Inquiry Into Local Competition, Universal Service, and The Non-Traffic Sensitive Access Rate

³ Case No. 96-431, Petition by MCI for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale under the Telecommunications Act of 1996.

Contract Service Arrangements

AT&T contends that contract service arrangements ("CSAs") should be available for resale at the wholesale discounted rate. Furthermore, AT&T opines that CSAs are telecommunications services available to users who are not telecommunications providers as defined by the Act and therefore should be available for resale under Section 251(c)(4)(A). BellSouth states that CSAs are designed and implemented to meet competition from other carriers and, if BellSouth is forced to resell these offerings, they would be effectively removed from the competitive process. BellSouth also argues that, because the rates designed in the CSAs are competitively priced, they should not be subject to further discount.

CSAs generally constitute pricing and or packaging innovations regarding services offered pursuant to tariff rather than additional "services" in themselves. The Commission has decided in previous orders that CSAs, as such, will not be required to be made available for resale, and the Commission affirms those rulings here with the following clarification. CSAs will be available for resale at the contract rate with no discount applied if the underlying services are not contained in BellSouth's tariff. However, if the underlying services are contained in BellSouth's tariff, the reseller may purchase those services only at the wholesale discount off the tariffed price.

Promotions

AT&T requests that promotions of any duration be available for resale at the wholesale discounted rate. The Commission will not deviate from its previous decisions and will not require the resale of promotions of 90 days or less to resellers at the